

Draft Forward Work Programme

1 April 2013 – 31 March 2014



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1. About this consultation

The Energy (Northern Ireland) Order 2003 and the Water and Sewerage service (Northern Ireland) Order 2006 requires the Utility Regulator to publish a Forward Work Plan (FWP) each year. The FWP should 'contain a general description of the projects, other than those comprising routine activities in the exercise of its functions, which it plans to undertake during the year'.

This draft FWP is published for consultation. It sets out the projects that we propose to undertake during 2013-14. These projects are intended to support the objectives in our Corporate Strategy 2009-14, and to be consistent with our principal statutory objectives and duties.

We will focus our resources on delivering priority projects, while retaining the flexibility to manage other unanticipated projects. We will also re- prioritise our resources to make sure that additional urgent work can be completed. This may mean that other proposed projects will need to be reviewed and/or deferred.

During the consultation, we would particularly welcome views on:

- (1) whether we have prioritised the right projects;
- (2) whether there are other projects that should be included;
- (3) any objections to our proposed projects; and
- (4) any other comments.

Comments should be sent to us **by 18 January 2013 at the latest** to elena.ardines@uregni.gov.uk.

We intend to hold a briefing during the consultation period, on the **17 December 2012**, at our offices. This will provide an opportunity to discuss the draft FWP. Please, let us know **before Friday 14 December** if you wish to attend.

A paper copy of the draft FWP can be obtained from:

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After reviewing consultation responses, we will publish a final FWP by 31 March 2013.

Copies of the document will be made available in alternative formats on request.

Your response to this consultation may be made public by us. If you do not wish your response or name made public, please state this clearly by marking the response as confidential. Further information on how we manage consultation responses can be found in Annex One of our consultation guidance www.uregni.gov.uk/uploads/publications/Consultation_Guidance.pdf.

2. About the Utility Regulator

The Utility Regulator is the non-ministerial government department responsible for regulating the electricity and gas industries and water and sewerage services in Northern Ireland.

Our mission is:

value and sustainability in energy and water.

Our vision is:

we will make a difference for consumers by listening, innovating and leading.

Our values are:

**Be a best practice regulator:
Transparent, Consistent
Proportional, Accountable and
Targeted.**

**Be a united team – One Team One
Mission.**

Be collaborative and co-operative.

Be professional,

Listen and explain.

Make a difference.

Act with integrity.

We are governed by a Board of Directors made up of non-executive members as well as the Chief Executive. The Chief Executive leads an Executive team comprising Directors representing each of the key functional areas: electricity, gas, water, retail and social and corporate affairs.

3. Introduction

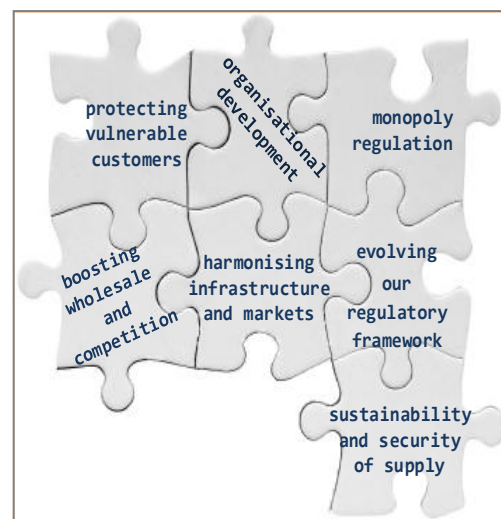
We work within a performance management framework.

There are three parts to this framework: (1) Corporate Strategy, (2) Forward Work Plan, (3) Directorate/ branch plans.

Our Corporate Strategy sets out the high level direction for our work.

There are seven strategic themes which comprise the strategic direction (Figure 1).

Figure 1: Our strategic themes



A new Corporate Strategy will be in place from 1 April 2014.

Our Corporate Strategy themes provide the context for, and objectives of, the projects set out in the FWP.

FWP targets are also reflected in the branch plans within each directorate, along with projects and workstreams which are more routine in nature. Finally, these determine the personal

workplans and objectives for our staff.

Our draft FWP provides an outline of the key projects to be undertaken by us in the forthcoming year. The projects are listed by strategic theme and priority, and also include the directorate leading on the work.

We will report on progress against each of the projects in our Annual Report.

Key terms used in the FWP are highlighted in **purple**, and explained in a Glossary (at the end of the document).

4. Key challenges

Regulating three utility industries creates a challenging context for our work.

Key challenges during the forthcoming year include:

- continuing to keep consumer bills as low as possible by scrutiny of network company costs in **price controls** and tariffs;
- ensuring efficient investment by utility companies to provide a modern, high-performing and sustainable infrastructure;
- promoting effective and efficient competition in our energy retail markets, while ensuring consumers remain adequately protected;
- promoting effective competition in the wholesale **Single Electricity Market**, and working with Ofgem,

CER and **ACER** to move to a **regional European electricity market** by 2016;

- facilitating the further development of the natural gas network in Northern Ireland, and regional harmonisation consistent with EU policy;
- advancing a range of strategic workstreams associated with the next **price control** for **NI Water** (called **PC15**);
- developing a new Corporate Strategy, together with an organisational structure and capability to deliver it.

5. FWP projects overview

Annex 1 provides a list of proposed projects for 2013-14.

We have prioritised these projects. Projects which are categorised as Priority 1 are driven by legal and accountability requirements and we will focus our resources on delivering these workstreams. Priority 2 projects are those that, while significant, can be delayed or deferred if other priorities arise during the year.

In this section we provide an overview of key projects proposed for 2013-14.

We will complete **price controls** in electricity (for **Power NI** and **SEMO**) and gas (for **firmus distribution** and **Phoenix Natural Gas** distribution). Work to complete our **price control** for **NI Water (PC15)** will also be advanced.

Wholesale, network and retail regulated tariff reviews will be completed in electricity and gas.

Interim arrangements for the **regional integration** of the electricity market will be significantly advanced with the Commission for Energy Regulation (**CER**), Ofgem and **ACER**.

In conjunction with **DETI**, and where it is economically feasible, we will implement any decision (s) to extend the natural gas network, including the award of licence(s) or the extension of licences.

We will carry out several projects to implement the EU's **IME3** legislation. This will include **certification** arrangements for electricity and gas **transmission system operators (TSOs)**. The current operating licence for **NIE T&D** will also be split so that there are separate licences for transmission and distribution. We will also complete the rollout of a series of consumer protection measures deriving from **IME3**.

Several projects will be advanced to support the development of renewable generation, in line with arrangements determined by the **NIE RP5 Price Control**. We will also consider licensing arrangements for **offshore** wind generation. We will also implement any new requirements arising from the **Energy Bill**, including the development of any energy efficiency obligation and **small scale feed-in tariff scheme**.

In order to ensure performance monitoring, manage uncertainty, and ensure fairness for all stakeholders, we will implement technical and financial

reporting arrangements for the **NIE T and D price control**. This will include establishing the position of a **Reporter** to provide independent assessment.

Finally, we will produce a new corporate strategy for 2014-19 and put in place a revised organisational structure to deliver it.

6. Resourcing

We place a high priority on ensuring that our resources are demonstrably managed in an efficient manner.

Part of our job is to ensure that utility companies operate efficiently. We are also focused on the efficient use of our resources.

Having significantly reduced our budget in the last 5 years we are seeking to keep our budget within an RPI (inflation) – 2% range

The draft budget for 2013-14 is presented in Table1 below. However, there will always be some uncertainty regarding the detailed scope of some of the actions planned for next year and the draft budget will be kept under review in the coming months.

For example, the scope of the significant **regional integration** workstream is still being assessed and estimated costings have yet to be finalised.

Furthermore, elements of our work are neither predictable nor cyclical in nature and it may therefore be necessary to review our plans and associated resource requirements, as the year progresses.

The draft FWP is based on the current complement of around 70 full-time equivalent staff currently organised across five directorates and the Chief Executive's Office. In recent years we have focused on developing our staff resources and that has enabled us to reduce the extent of reliance external support.

With the exception of the costs associated with some environmental responsibilities, all of our funding is received through licence fees. Corporate and shared costs (such as finance, HR, accommodation and IT) are included in the Other Costs and are, along with the Chief Executive's Office, recharged across the utilities for the purpose of calculating the fees payable by each utility licensee. Elements of Strategy, Social and Environmental Costs will also be recharged to the relevant industry directorates on an activity-driven basis.

The process of preparing this draft budget has been aligned with the development of the objectives set out in this draft forward work programme.

Table 1: Draft budget 2013-14

	CA	CEO	Electricity	Gas	Retail	Water	Total	12/13 Budget
Salaries	1,230,000	277,000	1,070,000	753,000	476,000	731,000	4,537,000	4,603,000
Programme	88,032	38,480	1,102,845	356,903	253,202	289,538	2,129,000	2,138,840
Other Costs	749,578	5,100	40,800	17,100	7,100	14,200	833,878	850,336
Total	2,067,610	320,580	2,213,645	1,127,003	736,302	1,034,738	7,499,878	7,592,176
12/13 Budget	2,183,265	305,463	1,612,425	1,714,118	753,951	1,022,954	7,592,176	

7. List of FWP projects by directorate

Ref	Strategic theme/Objectives	Project	Directorate	Priority	Finalise by
1	Monopoly Regulation	Complete Power NI Price Control , for the period commencing April 2014	R&S	1	Q4
2	Monopoly Regulation	Complete wholesale, network and retail regulated tariff reviews for electricity and gas, including in-year monitoring of over/under recoveries.	R&S/E/G	1	Q2
3	Regulatory Framework	Complete legal and enforcement framework for supply licence exemptions, as required by new DETI legislation.	R&S	1	Q4
4	Competition	Implement further supply licence and retail market monitoring to assess licence compliance and to enhance reporting on EU mandatory requirements, more gas coverage and new supplier codes of practice. Also, we will analyse and compare non-domestic electricity prices.	R&S	1	Q4
5	Regulatory Framework	Review and identify implications from Ofgem current proposals for retail market transparency in GB for our regulatory framework and publish proposals for NI.	R&S	2	Q3
6	Protection	Implement remaining IME3 customer protection framework (e.g. in relation to revised consumer checklist and UR guidelines on energy bills).	R&S/E/G	1	Q3 (for R&S) Q4 for E Q1 (for gas)
7	Competition	Undertake research on customer experiences of the new competitive energy retail markets: e.g. in relation to switching; non-switching; effectiveness of competition; customer protection weaknesses (I&C and	R&S	2	Q4

Ref	Strategic theme/Objectives	Project	Directorate	Priority	Finalise by
		domestic).and then publish report (in conjunction with CCNI).			
8	Competition	Begin review of effectiveness of competition in electricity retail markets and implications for NI regulatory framework.	R&S	2	Q4
9	Protection	Complete Social Action Plan (SAP) review.	R&S	2	Q3
10	Regulatory Framework	Implement new and enhanced Supplier Codes of Practice on supplier behaviour following IME3 (e.g. in relation to marketing (new mandatory code), customers in debt, vulnerable customers).	R&S	1	Q1
11	Competition	Review licence/code-related I&C customer protection measures (especially micro I&C) to ensure they are fit for purpose.	R&S	2	Q4
12	Protection	Review of standards of performance/Guaranteed Standards of Service in energy and the need for their application to all energy supply companies.	R&S	2	Q4
13	Harmonising energy markets	Influence and develop, in conjunction with the Commission for Energy Regulation (CER), Ofgem and ACER , interim and enduring arrangements for regional integration of the electricity market, by January 2014 and January 2016 respectively.	E	1	Q4
14	Monopoly Regulation	Develop and implement RP5 annual reporting for NIE T&D (including network developments and renewable generation and connections). This will also include the implementation of the “ reporter ” role.	E	1	Q3

Ref	Strategic theme/Objectives	Project	Directorate	Priority	Finalise by
15	Monopoly Regulation	Review remaining Generation Unit Agreements and options for the future of the PPB business.	E	2	Q4
16	Monopoly Regulation	Review the value of introducing contestability for connections to the electricity network.	E	2	Q4
17	Regulatory Framework	Determine and implement offshore connection policy and, consult on new offshore generation licencing.	E	1	Q4
18	Sustainability	Consult on arrangements for the roll out of smart metering in NI.	E	1	Q4
19	Sustainability	Implement arrangements for payments to generators if a fuel security event occurs.	E	1	Q4
20	Sustainability	Introduce new market services and arrangements to allow additional renewable generation connection and reduced costs for consumers.	E	2	Q4
21	Monopoly Regulation	Complete SEMO price control for the period commencing October 2013 .	E	1	Q3
22	Monopoly Regulation	Implement new licence modifications and monitoring arrangements for an independent TSO , in accordance with IME3 requirements.	E	1	Q4
23	Sustainability	Access options, and take action if necessary, to ensure generation security of supply in NI beyond 2016.	E	1	Q4
24	Sustainability	Considered and approve appropriate arrangements to ensure long-term reliability of the Moyle interconnector.	E	1	Q4
25	Competition	Implement effective market monitoring for intraday trading.	E	2	Q1
26	Regulatory Framework	Review generation connection policy and firm access and quantity allocation.	E	1	Q2

Ref	Strategic theme/Objectives	Project	Directorate	Priority	Finalise by
27	Monopoly Regulation	Determine on, any proposals to extend the natural gas network, including licence award competition where required.	G	1	Q4
28	Harmonising energy markets	Implement IME3 regulation requirements in light of CAG project review, including entry exit tariff system and single TSO .	G	1	Q4
29	Harmonising energy markets	Work with ACER to finalise and implement EU network codes at Interconnector Points.	G	1	Q4
30	Monopoly Regulation	Complete price control for firmus Distribution.	G	1	Q3
31	Monopoly Regulation	Complete price control for Phoenix Natural Gas Distribution.	G	1	Q3
32	Monopoly Regulation	Implement approach for regulating supply tariffs in the firmus distribution area.	G	2	Q3
33	Competition	Monitor large I&C tariffs in the firmus distribution area after market opening.	G	2	Q4
34	Sustainability	Consider and implement any new Energy Efficiency Obligation proposal and the impact on NISEP.	G/CA/R &S/E	1	Q4
35	Monopoly Regulation	Advance price control for NI Water (PC15) in line with published approach document and associated programme timetable. Finalise by December 2014.	W	1	Q4
36	Monopoly Regulation	Complete an analysis of, and report on, NI Water costs and performance compared to price control (PC13) targets.	W	2	Q3
37	Sustainability	Contribute to work being advanced by DRD to develop a long-term strategy for water.	W	2	Q2
38	Regulatory Framework	Review approach to Opex and Capex benchmarking.	W	1	Q2
39	Organisational development	Produce a new Corporate Strategy, for the period 2014-	CA	1	Q4

Ref	Strategic theme/Objectives	Project	Directorate	Priority	Finalise by
		2019, and a revised organisational structure to deliver it.			
40	Sustainability	Ensure the requirements of the Renewable Obligation Order (2012) are effectively implemented and introduce new support mechanisms for renewables, post the Renewables Obligation (including working with DETI to assess electricity market reform proposals).	CA	1	Q4
41	Sustainability	Continue to operate and improve the Climate Change Levy Exemption process, taking due consideration of any updates that will be required to by the Finance Act 2013.	CA	1	Q4
42	Sustainability	Effectively administer implement the revised NISEP and related approvals process and further enhance systems and processes.	CA	2	Q4
43	Regulatory Framework	Develop our role as a competition authority consistent with the requirements arising from the UK competition reforms.	CA	1	Q4
44	Regulatory Framework	Design and develop an enhanced records management system in line with Public Records Office requirements.	CA	1	Q4
45	Sustainability	Co-ordinate our implementation of the Energy Efficiency directive and work with DETI to progress the implementation of the proposed Energy Bill.	CA/E/G/R	1	Q4

8. Glossary

Agency for the Co-Operation of Energy Regulators (ACER)	ACER was formally established in 2011. It brings together European energy regulators with the objective of co-ordinating their actions whenever necessary, to achieve a competitive, sustainable, secure and transparent Internal Energy Market by 2014.
Commission for Energy Regulation (CER)	CER is the energy regulator for the Republic of Ireland.
Common Arrangements for Gas (CAG)	CAG is the project aimed at establishing common arrangements for the buying, selling, transport, operation, development and planning of the natural gas market on an all-island basis.
Competition Authority	An organisation or body with authority to deal to competition related issues, in accordance with relevant legislation.
Department of Enterprise, Trade and Investment (DETI)	DETI is the Department that formulates and delivers economic development policy, in terms of Enterprise, Social Economy, Innovation, Energy, Telecoms, and Tourism in Northern Ireland. DETI and the UR work closely in the development and regulation of the electricity and gas industry.
Energy Bill	The Energy Bill relates to DETI proposal on making new primary legislation to allow for greater powers for sustainable energy and additional regulatory measures relating to natural gas and electricity.
Energy Consumers Checklist	Under IME3 each member state is required to produce a set of energy market information for consumers. The checklist provides information relating to supplier switching, rights, payment methods, bills, alternative supply offers, etc.
EU network codes	Network codes are the rules established by the network owner that governs contractual arrangements with the network user. The Third Energy Package requires the European Network of Transmission System Operators to develop the European network codes, in accordance with framework guidelines set by ACER . The objective of this work is to improve regulatory harmonisation and facilitate the effective functioning of the internal electricity and gas markets.

IME3 - EU Third Energy Package of directives	This is the two directives and three regulations aimed at liberalizing gas and electricity markets across Europe. It focuses on developing internal markets but also adds new customer protection and information aspects.
firmus Energy Supply and firmus Distribution	firmus energy is Bord Gáis' distribution and supply business in Northern Ireland. It won the supply and distribution licences for ten towns in 2005, and supplies gas to 90% of the large industrial and commercial businesses in these towns. In addition, it holds supply licences for both the natural gas market in Greater Belfast and electricity across Northern Ireland.
Fuel Mix Disclosure (FMD)	FMD requires all licensed electricity suppliers to disclose to their consumers, and potential consumers, the mix of fuels (coal, gas, nuclear, renewable and other) used to generate the electricity supplied annually.
Generation Unit Agreement (GUAs) or Power Purchase Agreements (PPAs)	GUAs/PPAs are long term contracts between two parties, one who generates electricity for the purpose of sale (the generator) and another one who buys the electricity.
Levy Exemption Certificate (LEC)	The LEC is the certificate that exempts payment from the Climate Change Levy (CCL). Only renewable electricity with a LEC is exempt from the levy.
Northern Ireland Water (NI Water)	NI Water is the Government Owned Company (GoCo) that was set up in April 2007 as the sole provider of water and sewerage services in Northern Ireland.
NIE Energy Power Procurement Business (NIE PPB)	NIE PPB is part of the Viridian group and manages a portfolio of Power Purchase Agreements (PPAs) with a total contracted generation capacity of 1,532 MW and is required to sell all the electricity generated under the PPAs into SEM .
NIE Transmission and Distribution (NIE T and D)	NIE T and D is owned by the Electricity Supply Board (ESB) and is the company responsible for the planning, development, construction and maintenance of the transmission and distribution electricity network in Northern Ireland, and for the operation of the distribution network.
Offshore Developments	Development of an electricity transmission network in offshore waters.
PC13	PC13 is the name of the Utility Regulator price control , currently being developed, relating to NI Water for the period 2013-15.

PC15	PC15 is the name of the Utility Regulator price control , which is at the early stage of development, relating to NI Water for the period 2015-20.
Phoenix Natural Gas (PNG)	Phoenix Natural Gas Limited (PNG) own and operate the distribution network in the Greater Belfast area and Larne. The distribution business is responsible for the development of the pipeline network and for providing operational and transportation service platform to gas suppliers.
Power NI	Power NI is the supply company of the Viridian Group, and supplies electricity to homes and businesses across Northern Ireland.
Price Controls	Price controls are one of the key regulatory tools used to protect consumers. This involves the regulator scrutinising the business plans of monopoly utility companies and determining the revenue required to finance its activities while providing incentives to invest in the business.
Regional Integration	Regional integration refers to the integration of electricity markets in Europe.
Regulatory reward framework	The framework to incentivise and reward companies for their investment and the operation of their regulated assets/ services.
Renewable Obligation (RO)	The RO is a UK scheme designed to encourage renewable generation into the electricity generation market. This scheme places an obligation on licensed electricity suppliers to source an increasing proportion of electricity from renewable sources. Suppliers meet their obligations by presenting sufficient Renewables Obligation Certificates (ROCs) to cover their obligations. Where suppliers do not have sufficient ROCs to meet their obligation, they must pay an equivalent amount into a fund known as buy-out, the proceeds of which are paid back on a pro-rated basis to those suppliers that have presented ROCs.
Reporter	A reporter is an independent professional appointed to act as an auditor, certifier and commentator on the various regulatory submissions made regulated companies to the regulator over a medium to long term.
RP5	RP5 is the name of the Utility Regulator price control , currently being developed, relating to NIE T and D for the period from 2012-17.

SEMO	SEMO is the Single Electricity Market Operator, responsible for the administration of the wholesale electricity market, called the Single Electricity Market .
Single Electricity Market (SEM)	The SEM is the single all-island wholesale market for electricity, operating in the RoI and NI, set up in November 2007. It aims to enhance security and diversity of supply, encouraging market efficiencies and economies of scale, and promoting greater competition.
Small scale feed-in tariff scheme	<p>The Feed-in Tariffs (FITs) scheme will be introduced around 2015 or 2016, under powers in the Energy Bill. Through the use of FITs, DETI hopes to encourage deployment of additional small-scale (less than 5MW) low-carbon electricity generation, particularly by organisations, businesses, communities and individuals that have not traditionally engaged in the electricity market.</p> <p>This will allow many people to invest in small-scale low-carbon electricity, in return for a guaranteed payment from an electricity supplier of their choice for the electricity they generate and use as well as a guaranteed payment for unused surplus electricity they export back to the grid.</p>
Social Action Plan (SAP)	The SAP is a plan which sets out all the actions to be taken by the Utility Regulator to protect vulnerable consumers .
Transmission system operator (TSO).	A TSO is an operator that transmits electrical power from generation plants over the electrical grid to regional or local electricity distribution operators. The TSO in NI is SONI.
Vulnerable Consumers	Vulnerable consumers , following the Energy Order definition, are those electricity consumers of pensionable age, who are disabled or chronically sick, on low incomes or dwelling in rural areas, and those gas consumers who are of pensionable age, who are disabled or chronically sick or on low incomes.